

Message Text

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ACTION PM-04

INFO OCT-01 EA-07 ISO-00 CIAE-00 H-02 INR-07 L-03 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 ACDA-05 MC-02

AID-05 OMB-01 EB-07 COME-00 TRSE-00 IGA-02 /076 W

----- 082980

R 290704Z JAN 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2344

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

JCS

CSA

CNO

CSAF

CMC

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 KUALA LUMPUR 0524

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: MASS

SUBJ: FY 1977 MILITARY SECURITY ASSISTANCE - MALAYSIA

REF: STATE 017013 (DTG 230319Z JAN 76) NOTAL, 75 KUALA LUMPUR 7502
(DTG 240845Z DEC 75) NOTAL, 75 KUALA LUMPUR 6625 NOTAL

1. FOLLOWING INFORMATION IS SUPPLIED IN RESPONSE TO PARAGRAPH
6 OF STATE 017013.

A. GOM HAS INDICATED IT WILL ACCEPT AND CONSUMMATE
CREDIT AGREEMENT AT LEVELS INDICATED IF CONGRESS
APPROVES EXECUTIVE BRANCH REQUEST.

B. PRIORITY OF MAJOR ITEMS IS

1) M-16 RIFLES -- GOVT OF MALAYSIA (GOM) HAS
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REQUESTED CREDIT OF US DOLS 15.5 MILLION FOR

PURCHASE OF 60,800 M-16'S IN FY 77. (GOM HAS CONTRACT WITH COLT AMOUNTING TO US DOLS 12,820,000 FOR INITIAL SUPPLY OF 41,000 RIFLES, THE FIRST 7,000 OF WHICH SHOULD HAVE BEEN DELIVERED AT THE END OF DECEMBER 1975. GOM HAS OFFICIALLY REQUESTED THAT FY76 FMS CREDIT OF US DOLS 5.3 MILLION ORIGINALLY PLANNED FOR UK-1H HELICOPTER PURCHASE BE MADE AVAILABLE FOR INITIAL M-16 PURCHASE.)

2) SIKORSKY S-61 HELICOPTERS -- GOM HAS REQUESTED CREDIT OF US DOLS 12.8 MILLION IN FY 77 FOR SIX S-61'S IT HAS REQUESTED AN ADDITIONAL FY 77 CREDIT OF US DOLS 3.7 MILLION FOR A FURTHER SIX S-61'S WITH FOLLOW-ON CREDITS OF US DOLS 6.4 MILLION AND US DOLS 6.4 MILLION IN FY 78 AND FY 79, RESPECTIVELY. TOTAL REQUESTED IN FY 77 FOR HELICOPTERS IS US DOLS 16.5 MILLION. (A DECISION WAS TAKEN IN DECEMBER 1975 NOT TO PURCHASE UH-1H HELICOPTERS BECAUSE OF PROBLEMS THE RMAF WOULD FACE IN INTRODUCING A NEW AIRCRAFT TYPE AT THE SAME TIME IT WILL BE PHASING-IN F-5'S AND C-130'S.)

3) CADILLAC-GAGE V-150 ARMORED CARS -- CREDIT HAS BEEN REQUESTED AMOUNTING US DOLS 3.7 MILLION FOR PURCHASE OF 32 ARMORED CARS. (FY 76 REQUEST FOR THIS PURCHASE IS US DOLS 1.8 MILLION.)

4) MALAYSIANS ALSO PLANNING TO MAKE FOLLOWING CASH EXPENDITURES FOR U.S. ITEMS IN FY77: M-16'S - USDOLS 3.28 MILLION. CLAYMORE MINES - US DOLS 0.4 MILLION. GRENADES FOR V-150'S - US DOLS 3.037 MILLION. EX-U.S. NAVY LST'S - US DOLS 1.4 MILLION. 105 MM HOWITZERS -- US DOLS 0.5 MILLION.

C. YES. CREDIT WILL BE USED TO UPGRADE EXISTING CAPABILITIES AND REPLACE OBSOLETE OR UNSUITABLE EQUIPMENT COMPATIBLE WITH REQUIREMENTS.

D. MILITARY JUSTIFICATION FOR THE CREDIT IS STRENGTHENING THE MALAYSIAN CAPABILITY TO DEAL
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WITH AN INCREASING COMMUNIST INSURGENCY. THIS GOAL HAS BOTH REGIONAL AND DOMESTIC IMPLICATIONS.

E. THERE IS NO GRANT MATERIAL PROGRAM. THE LIMITED GRANT TRAINING PROGRAM DOES NOT ALLOW FOR TRAINING NECESSARY FOR INTRODUCTION OF ITEMS IN B. ABOVE. FURTHERMORE, INFORMATION RECEIVED REGARDING INCREASES IN FEES FOR CONUS TRAINING PLANNED UNDER US DOLS 300,000 PROGRAM INDICATES THAT THE

TRADITIONAL PROGRAM INVOLVING ABOUT 60 MEMBERS OF THE MALAYSIAN ARMED FORCES EACH YEAR WILL HAVE TO BE SHARPLY CURTAILED UNLESS THAT AMOUNT IS INCREASED. FMS CREDITS WILL BE USED FOR TRAINING NECESSARY FOR EQUIPMENT SUPPLIED UNDER CREDIT PROGRAM.

F. BEGINNING IN 1968 INSURGENTS OF THE COMMUNIST PARTY OF MALAYA (CPM) BEGAN REINFILTRATING INTO PENINSULAR MALAYSIA FROM THEIR BASES ON THE THAI SIDE OF THE MALAYSIAN-THAI BORDER. IN THE ENSUING YEARS THERE HAS BEEN A GRADUAL INCREASE IN THEIR STRENGTH (CONSERVATIVELY ESTIMATED BY THE GOM AT 2,400 AND THEY HAVE HAD SOME SUCCESS IN RE-ESTABLISHING THEMSELVES IN OLD BASE AREAS IN NORTH-CENTRAL PERAK, NORTH-WESTERN AND CENTRAL PAHANG, AND KEDAH. THE COMMUNIST VICTORY IN INDOCHINA AND THE UNCERTAINTY REGARDING VIETNAMESE INTENTIONS HAVE HEARTENED THE COMMUNISTS AND ALARMED NOT ONLY THE GOM BUT ALSO U.S. ALLIES IN SOUTHEAST ASIA SUCH AS THAILAND, THE PHILIPPINES, AND INDONESIA. THE GOM IS MOVING MODERATELY BUT FIRMLY TO MEET THE THREAT OF A RENEWED INSURGENCY BEFORE IT DEVELOPS FURTHER. U.S. ASSISTANCE TO THIS EXPANSION IS BELIEVED TO BE IMPORTANT IN THE OVERALL CONTEXT OF SOUTHEAST ASIAN SECURITY AND COINCIDES WITH THE PRESIDENT'S STATEMENT IN HONOLULU ON DECEMBER 7, 1975, THAT "THE PRESERVATION OF THE SOVEREIGNTY AND INDEPENDENCE OF OUR ASIAN FRIENDS AND ALLIES REMAINS A PARAMOUNT OBJECTIVE OF AMERICAN POLICY."

G. CREDIT SALE PROVIDES ONLY MODEST ADDITION TO MALAYSIAN CAPABILITIES AND SHOULD NEITHER

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AFFECT THE REGIONAL ARMS BALANCE NOR CONTRIBUTE TO AN ARMS RACE.

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C O N F I D E N T I A L SECTION 2 OF 2 KUALA LUMPUR 0524

H. MALAYSIA, WHILE ONE OF THE MOST PROSPEROUS AND BEST ADMINISTERED OF THE DEVELOPING COUNTRIES, HAS THE INEVITABLE PROBLEM OF GUNS AND BUTTER. IN ORDER TO MAINTAIN INTERNAL STABILITY THE GOVT FEELS IT MUST CONTINUE TO PUT A GREATER PART OF ITS REVENUE AND BORROWINGS INTO ADMINISTRATION OF THE CIVILIAN ECONOMY AND INTO DEVELOPMENT. AT THE SAME TIME, IT IS FACED WITH AN IMMEDIATE NEED TO IMPROVE AND TO INCREASE ITS MILITARY CAPABILITY TO CONFRONT ARMED SUBVERSION. THUS THE MODEST U.S. CREDIT ASSISTANCE PROPOSED FOR FY77 WILL MAKE SOME CONTRIBUTION TOWARD EASING THE GOM'S FINANCIAL PROBLEMS WHILE AT THE SAME TIME ENSURING THAT U.S. EQUIPMENT WILL CONTINUE TO BE FAVORED.

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I. PROPOSED FMS CREDIT SHOULD NOT CREATE A REPAYMENT OBLIGATION WHICH WILL PLACE AN UNDESIRABLE BURDEN ON MALAYSIA'S FOREIGN EXCHANGE RESOURCES WHICH AMOUNT TO US DOLS 1.44 BILLION ON DEC 31, 1975, ENOUGH TO FINANCE ABOUT FIVE MONTHS OF IMPORTS. GOM FEDERAL DEBT TOTALLED US DOLS 4.48 BILLION

AS OF DEC 31, 1975. ABOUT SIXTY-FIVE PERCENT
OF THIS DEBT HAS ORIGINAL MATURITY OF 12 TO
20 YEARS. TOTAL DEBT IS WELL WITHIN
CAPABILITIES OF GOM TO FINANCE. WE DO NOT
BELIEVE PROPOSED CREDITS WILL PRODUCE EXCESSIVE
CLAIMS ON FUTURE GOM BUDGETS OR OTHERWISE UNDULY
INTERFERE WITH MALAYSIA'S PLANS FOR SOCIO-
ECONOMIC DEVELOPMENT. LONG-TERM PROSPECTS
FOR THE ECONOMY ARE GOOD WHICH SHOULD GENERATE
SIGNIFICANT REAL INCREASES IN GOVT REVENUES
TO PERMIT FINANCING OF BOTH REASONABLE ADDITIONAL
SECURITY MEASURES AND DEVELOPMENT PLANS.

J. MALAYSIA IS MAKING LIMITED PURCHASES
OF EQUIPMENT AND MUNITIONS FROM OTHER COUNTRIES
(E.G. TRUCKS FROM SWEDEN, HANDGRENADES FROM
AUSTRALIA) BUT THESE HAVE NO DIRECT BEARING ON
THE PROPOSED FY 1977 CREDIT.
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